

**SPECIAL MEETING
MARCH 9, 2010**

The Wethersfield Town Council held a special meeting on Tuesday, March 9, 2010 at 6:00 p.m. in the Council Chambers, 505 Silas Deane Highway, Wethersfield, CT.

Present: Councilors Drake, Hurley, Kotkin, Manousos (arrived at 6:05 p.m.), McAlister, Montinieri, Deputy Mayor Console, and Chairperson Hemmann

Absent: Councilor Roberts

Also present: Jeff Bridges, Town Manager and Dolores Sassano, Town Clerk

Councilor McAlister lead the pledge of allegiance.

Dolores Sassano, Town Clerk, took attendance.

HEARING

RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$20,000,000 REFUNDING BONDS FOR PAYMENT IN WHOLE OR IN PART OF THE OUTSTANDING PRINCIPAL OF AND INTEREST AND ANY CALL PREMIUM ON THE TOWN OF WETHERSFIELD'S \$1,920,000 GENERAL OBLIGATION BONDS, ISSUE OF 1996, \$7,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2001, \$7,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2002, \$3,500,000 GENERAL OBLIGATION BONDS, ISSUE OF 2003, \$15,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2005, AND \$6,855,000 GENERAL OBLIGATION BONDS, ISSUE OF 2009, AND COSTS RELATED THERETO

No one from the public wished to speak for or against the resolution. Chairperson Hemmann declared the hearing closed.

COUNCIL ACTION

Deputy Mayor Console moved **"TO APPROVE THE RESOLUTION AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$20,000,000 REFUNDING BONDS FOR PAYMENT IN WHOLE OR IN PART OF THE OUTSTANDING PRINCIPAL OF AND INTEREST AND ANY CALL PREMIUM ON THE TOWN OF WETHERSFIELD'S \$1,920,000 GENERAL OBLIGATION BONDS, ISSUE OF 1996, \$7,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2001, \$7,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2002, \$3,500,000 GENERAL OBLIGATION BONDS, ISSUE OF 2003, \$15,000,000 GENERAL OBLIGATION BONDS, ISSUE OF 2005, AND \$6,855,000 GENERAL OBLIGATION BONDS, ISSUE OF 2009, AND COSTS RELATED THERETO"** seconded by Councilor Hurley.

Jeff Bridges, Town Manager, said that Chris Martin of Webster Bank was at the meeting to answer any questions. This resolution authorizes the refinancing and refunding of approximately \$12,000,000 to \$13,000,000 in general obligation bonds in order to lower the overall net cost and to smooth debt service payments over the next few years, especially the spike that will otherwise occur in fiscal year 2010-2011. These are advance refunding bonds so escrow will be set up and the bonds will be paid off over time.

Chairperson Hemmann asked if Councilors had any questions.

Councilor Kotkin asked if the Town Council could expect to see any change in the savings given the market over the past three weeks.

Chris Martin said that he checked the market today and there may be a slight improvement on the escrow side with the taxable rate going up. He said that by Charter, the Town has a waiting period before the resolution takes effect.

Councilor Kotkin said that he is talking about the trust date and the market with the proceeds acquired for taxable bonds that basically post this essentially against tax exempt obligations that the Town currently holds. Some bonds will get called and some will be defeased. The Town will purchase similar securities and post against them. He said that when discussed earlier, Mr. Martin said some of the taxable debt will be bought with United States Treasury bonds but also some Fannie Mae and Freddie Mac papers. He said he expressed some reservations with those papers given what they have gone through over the last few years and with the exposure of the housing market. He asked if this refunding could work without using housing funds.

Chris Martin said that money has not been lost with Fannie Mae and Freddie Mac securities in escrow. A few years ago no one would even have considered something like this. People have begun asking questions. Some may say that it has been tested over the last year and they are guaranteed. To Councilor Kotkin's concern, he asked the underwriter to bid this both ways, with and without the Fannie Mae and Freddie Mac bonds. When reviewing this on the 24th, there was a \$57,000 savings if Fannie Mae and Freddie Mac bonds were in the mix. He asked if the Town Council wanted to take this extremely conservative posture and only use items that are directly guaranteed by the United States government. The treasury securities will be in place to pay the interest and principle on the old bonds until the town gets to the call date. It is like a mortgage being paid off with a new mortgage during a refinancing. When he looks around at other Towns that are refunding, they are using Fannie Mae and Freddie Mac. No one believes that the treasury will walk away from its obligations.

Councilor Kotkin said that this came up because it is very possible that the Federal government may allow a default on these Fannie Mae and Freddie Mac Bonds. He said that he agrees that it is hyper conservative but there is no telling what will happen with the housing market. For the

\$57,000 savings amount he does not want to personally be responsible for worrying about the possibility that the bonds could default and Wethersfield would owe even more money. He said that the housing bonds would worry him. He asked if it has to be part of the resolution. He would like some understanding that the Town wouldn't use housing related bonds as the security payment of old debt.

Chris Martin said that some housing funds are direct guaranteed. The point is that if the Town is diligent the Council can give the authority to the Town Manager and Finance Director that there is a general understanding of these feelings.

Councilor Drake asked what percentage of the funds are Fannie Mae and Freddie Mac.

Chris Martin said that he did not have the exact numbers with him but it was less than 15 percent.

Councilor Drake said that if the funds did default, the Town's exposure would be a \$500,000 to \$600,000 debt increase.

Councilor Manousos said that \$57,000 may seem like a lot or a little. The Town Council needs to keep an eye on what it is trying to achieve.

Councilor Kotkin said that it is only a 10 percent reduction in savings.

Councilor Drake said that he agrees with Councilor Kotkin. In the next five years there could easily be a government agency defaulting.

Deputy Mayor Console said that he would lean on the conservative side.

Councilor Manousos said that he doesn't want to get hyper conservative. He does not want to see this get delayed as it may cost the Town money. He said that the Town takes much greater risks in other areas. He asked what the actual likelihood of this happening is in comparison to other risks that Town has taken.

Chris Martin said that initially the Town wanted to pursue refunding to the extent that the net savings would exceed 2 or 3 percent. Without using the Fannie Mae and Freddie Mac funds, the Town will see a net savings of about 4 percent; a savings of about \$480,000.

Councilor Drake said that he would like to minimize the exposure.

Chris Martin said that anything can happen in the next few weeks so he suggested numbers not be put into the budget yet. Waiting 12 days can be problematic although he doesn't see any reason why things should change drastically.

All Councilors present: Councilor Drake; Councilor Hurley, Councilor Kotkin, Councilor Manousos, Councilor McAlister; Councilor Montinieri, Deputy Mayor Console and Mayor Hemmann, voted AYE. The motion passed 8-0-0.

ADJOURNMENT

At 6:20 p.m., Deputy Mayor Console moved "**TO ADJOURN THE MEETING**" seconded by Councilor Hurley. All Councilors present, including the Chairperson voted AYE. The motion passed 8-0-0.

Dolores G. Sassano
Town Clerk

*Approve by vote of Council
April 5, 2010*